

Fiscal Note

Fiscal Services Division



HF 2530 – Motor Vehicle Collision Repair, Sales Tax Exemption (LSB 6188HV)
Analyst: Shawn Snyder (Phone: 515-281-7799) (shawn.snyder@legis.state.ia.us)
Fiscal Note Version – New

Description

House File 2530 provides a sales tax exemption for paint or other consumable items purchased by an auto body shop for use of repair of vehicles. The paint or consumable item must be itemized on the invoice of the customer.

Background

Currently, auto body shops pay sales tax on paint and other consumable items to wholesalers. This Bill would exempt the sales tax at the wholesale level and require that the auto body shops collect sales tax for paint and other items from consumers if those items are itemized on the sales invoice.

Assumptions

- Average annual total body shop repair costs in Iowa of approximately \$262.1 million.
- Consumable materials account for approximately 10.3% of the total repair costs.
- Average cost mark-up of approximately 30.0%.
- Auto body shops will itemize the price of paint and other consumables on the invoice.
- Effective Local Option Sales Tax (LOST) rate of 0.87% statewide.

Fiscal Impact

The estimated fiscal impact of this Bill is an increase of annual gross State sales tax revenue totaling approximately \$380,000. The impact will be divided between the General Fund and the Secure an Advanced Vision for Education (SAVE) Fund is as follows:

- The estimated impact on the State General Fund is an increase of approximately \$315,000 annually.
- The estimated impact on the SAVE Fund is an increase of approximately \$65,000 annually.

This Bill is also estimated to increase the LOST revenue by approximately \$54,000 annually.

Sources

Body Shop Business, State of the Industry Reports (2006 and 2008)
Iowa Collision Repair Association
LSA analysis and calculations

/s/ Holly M. Lyons

March 18, 2010

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
